

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

Annual Compliance Report, 2013

Docket No. ACR2013

CHAIRMAN'S INFORMATION REQUEST NO. 6

(Issued February 7, 2014)

To clarify the basis of the Postal Service's estimates in its FY 2013 Annual Compliance Report (ACR), filed December 27, 2013, the Postal Service is requested to provide written responses to the following questions. Answers should be provided to individual questions as soon as they are developed, but no later than February 18, 2014.

Standard Mail

1. Please confirm that, as detailed in Library Reference USPS-FY13-4, Excel file "Filing Copy FY 2013 STD Mail BD.xls," tab "ECR FLATS (ltr-shaped) P. C2-3," (enhanced carrier route (ECR) Flats letter-shaped volume) over 422 million Commercial ECR Letters were mailed at ECR Flats prices in FY 2013. If not confirmed, please explain. Please note that, for this question, ECR is used to refer to Carrier Route, High Density, High Density Plus, and Saturation Mail.
 - (a) Please provide the rationale for this pricing practice. Please identify which year this practice began, and in what year it was first formalized in the billing determinant workpapers.
 - (b) Nearly 80 percent of ECR Flats letter-shaped volume is priced as sectional center facility (SCF) destination entered Saturation Flats mail. Where was this mail entered (e.g., Origin facility, destination network distribution center (DNDC), destination sectional center facility (DSCF), or destination delivery units (DDU))?

- (c) Nearly 7 percent of ECR Flats letter-shaped volume is priced as destination NDC or Origin entered Saturation Flats mail. Where was this mail entered (e.g., Origin facility, DNDC, DSCF, or DDU)?
- (d) Using prices from Docket No. R2013-1, please provide the minimum per-piece price category and price paid by mailers of:
 - i. Commercial Carrier Route Letters entered at the DDU;
 - ii. Commercial High Density Letters entered at the DDU;
 - iii. Commercial High Density Plus Letters entered at the DDU; and
 - iv. Commercial Saturation Letters entered at the DDU
- (e) Please confirm that the volume of ECR Letters mailed at ECR Flats prices is considered ECR Flats volume for the purposes of market dominant price changes. If confirmed, please identify which year this volume was first considered ECR Flats volume for the purposes of market dominant price change calculations. If not confirmed, please explain.
- (f) In FY 2013, were the mail processing costs of ECR Letters mailed at ECR Flats prices allocated to ECR Letters or ECR Flats? Please explain the process the Postal Service uses to allocate the mail processing costs of ECR letter-shaped pieces mailed at ECR Flats prices.
- (g) In FY 2013, were the delivery costs of ECR Letters mailed at ECR Flats prices allocated to ECR Letters or ECR Flats? Please explain the process the Postal Service uses to allocate the delivery costs of ECR letter-shaped pieces mailed at ECR Flats prices.
- (h) Please explain why ECR Flats DSCF prices are used as the default price rather than ECR Letter DSCF prices. As part of your response, please specify the Mail Classification Schedule language that provides for the entry of ECR Letters at the DDU at ECR Flats DSCF prices.

International Mail

2. For Global Plus Contracts, volume (pieces) in the Booked version of the International Cost and Revenue Analysis (ICRA) exceeds volume in the Imputed version. See USPS-FY13-NP2, Excel files “Reports (Booked).xls” and “Reports.xls,” worksheet tabs A Pages (c), Tables A-2 in each file. Please reconcile the difference.
3. Please refer to the responses to CHIR No. 3, questions 4(a)-(b), which provide the final CY 2012 annual and preliminary CY 2013 year-to-date monthly (January-November) quality of service measurement results for the link to terminal dues. Please explain the causes of the change in the CY 2013 preliminary year-to-date on-time percent performance compared with the CY 2012 annual performance for letterpost items reported in the table “FINAL Quality of Service results 2012.”
4. Please refer to the response to CHIR No. 3, question 8, which provides the financial results for the Inbound Market Dominant Exprés Service Agreement 1 product. In its response, the Postal Service states that the financial results are for Quarter IV of FY 2013—the only quarter for which there were inbound Exprés items. The financial results show, in the column headed Total Revenue, that total product revenue is obtained from Library Reference “USPS-FY13-NP30 (FY13 Revenue, Pieces and Weight Report).” In the column headed Volume, total volume consists of the sum of inbound Exprés items entered by seven countries. See Library Reference USPS-FY13-NP33, Excel file “CHIR No. 3 Questions 5,7,8,11.xls,” worksheet tab Question 8, Total Revenue (column (d)) and Volume (column (a)). The following questions seek clarification as to how the financial results were developed.
 - (a) Please cite a cell reference in USPS-FY13-NP30, FY 2013 Revenue, Pieces and Weight (RPW) Report, for the revenue figure that was used for

total revenue in column (d), or show the calculations used to derive total revenue and provide sources for all figures in the calculations.

- (b) Please provide the corresponding RPW volume associated with the RPW revenue figure cited in subpart (a) above. If the RPW volume associated with the cited RPW revenue figure differs from the calculated volume in column (a), please reconcile.
 - (c) Please explain why the Postal Service calculated total volume for inbound Exprés items rather than use the corresponding RPW volume associated with the cited RPW revenue figure for total volume in column (a).
5. Please refer to the response to CHIR No. 3, question 11, which addresses the negative contribution for International Priority Airmail (IPA) in FY 2013 compared to FY 2012. The Postal Service's response includes financial results for IPA from FY 2008 through FY 2013. A preliminary analysis of the IPA financial results shows that unit revenues decreased 4.2 percent while unit costs increased 103.8 percent in FY 2013 compared to FY 2012. Over the entire period, unit revenues decreased 8.1 percent and unit costs increased 20.0 percent. The result is a 240.3 percent decrease in unit contribution in FY 2013 compared to FY 2012, and a monotonic decline over the entire period that produces a 258.5 percent decrease in unit contribution. Please explain the causes of the decrease in unit revenue and the increase in unit costs in FY 2013 compared to FY 2012, and from FY 2008 through FY 2013.
6. The following question concerns the FY 2013 ICRA report and the Foreign Postal Settlement (FPS) system. Inbound revenue reported in the Imputed version of the FY 2013 ICRA report differs from inbound revenue reported in the Booked version of the FY 2013 ICRA report, and in the RPW report. In addition, costs for outbound products reported in the Imputed and Booked versions of the FY 2013 ICRA report differ.

- (a) Please discuss any progress made since the last fiscal year to report international revenues and costs by product in a single or unified version of the FY 2013 ICRA report that is consistent with the Postal Service's financial statements.
- (b) Please identify and explain the technical and other issues that precluded the Postal Service from reporting international revenues and costs by product in a single or unified version of the FY 2013 ICRA report that is consistent with the Postal Service's financial statements.
- (c) Please discuss Postal Service plans to address technical and other issues identified in your response to subpart (b) above, and provide a schedule for completing any necessary work to permit the reporting of international revenues and costs by product in a single or unified version of the ICRA report that is consistent with the Postal Service's financial statements.

Customer Access

- 7. In Library Reference USPS FY13-33, Access,DeliveryPointsFY2013.XI., are the data fields "ACTIVE RES OTH1" AND "ACTIVE BUS OTH1" synonymous with door-to-door deliveries? If not, please identify the data field(s) that contain the number of residential door-to-door deliveries and the number of business door-to-door deliveries.
- 8. Please provide: (a) the number of Automated Postal Centers (APCs) in service at the end of FY 2013; and (b) to the extent not synonymous with APCs, the number of postal kiosks in service at the end of FY 2013.

Service Performance

9. With regard to the Offshore Special Study found in Library Reference USPS-FY13-29, conducted in response to Order No. 465, rule 3055.7, what has the Postal Service used as a proxy for Inbound Surface Parcel Post (at Universal Postal Union (UPU) rates) for service performance measurement in FY 2013?

By the Chairman.

Ruth Y. Goldway